R. J. Reynolds Tobacco Company

New Jersey Chain Account Division

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To: All Key Account Managers With Hess Division and McLane (Hess) Responsibility
All Account Managers With Hess Division Responsibility
All Retail Managers With Hess Responsibility
All Retail Representatives With Hess Responsibility

RE: Amerada Hess Corporation- State of Business (through 3rd Quarter 1997)

Ladies and Gentlemen:

I would like to take this opportunity to share some very impressive numbers with you that clearly illustrate the results of a concerted RJR *Team Effort* at every sales level that began with the signing and implementation of our Retail Partners Contract with Amerada Hess over two years ago.

- Total cartons sold have increased significantly when comparing 4th Quarter 1996 through the most recent 13 week period (8/18-11/16) in all Hess Groups:

	Hess Mart	Hess Mart	Hess Co-Op	Hess Co-Op	Pick Kwik	Pick Kwik
Weekly Avg	4th Qtr 1996	8/18-11/16	4th Qtr 1996	8/18-11/16	4th Qtr 1996	8/18-11/16
Industry	269	311	129	146	336	485
RJR	72	93	25	33	79	120

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Source: https://www.industrydocuments.ucsf.edu/docs/rgjy0000

- RJR's Share of Market has grown through the use of National Promotions, The Retail Accrual Program, and the Forsyth Accrual. At the same time Philip Morris share has declined:

	Hess Mart 4th Qtr 1996	Hess Mart 8/18-11/16	Hess Co-Op 4th Qtr 1996	Hess Co-Op 8/18-11/16	Pick Kwik 4th Qtr 1996	Pick Kwik 8/18-11/16
RJR SOM	26.8%	29.9%	19.0%	22.9%	23.4%	24.7%
PM SOM	53.0%	50.8%	56.7%	55.2%	69.7%*	64.0%

***PM Exclusive Contract signed 1/1/97, broken 9/97**

- The performance of DORAL and Hess's Private Label Forsyth Brand SIGNATURE has also shown positive strides. Again Philip Morris Basic has been negatively impacted:

	Hess Mart 4th Qtr 1996	Hess Mart 8/18-11/16	Hess Co-Op 4th Qtr 1996	Hess Co-Op 8/18-11/16	Pick Kwik 4th Qtr 1996	Pick Kwik 8/18-11/16
Signature	6.7%	9.7%	3.7%	7.6%	0%	5.4%
Doral	4.3%	5.3%	1.6%	2.4%	5.4%	6.5%
Basic	4.7%	4.4%	4.3%	4.2%	4.1%	2.8%

- The numbers which are most important to Hess, and which reinforce RJR's position as the *Category Educator* are those which compare the Full Price Share of Market Vs. Actual Full Price cartons sold:

	Hess Mart 4th Qtr 1996	Hess Mart 8/18-11/16	Hess Co-Op 4th Qtr 1996	Hess Co-Op 8/18-11/16	Pick Kwik 4th Qtr 1996	Pick Kwik 8/18-11/16
Full Price SOM	77.2%	74.7%	86.4%	82.5%	81.0%	81.3%
Cartons Sold	208	232	111	121	272	294

The above figures clearly indicate that Hess has made the right move using the Industry Approach.

- *All Manufacturers are promoting their product lines.*
- *Promotions are available at every price tier...Full Price, Savings and PL*
- *The Private Label Brand SIGNATURE has captured a significant share of market, and most importantly brought a new type of smoker into Hess Locations.*
- *Hess Locations have become the destination for smokers at all price tiers.*

I wanted to share these great numbers with each of you to show how an ongoing effort by every one involved....at Hess Headquarters....the supplier level with McLane....Hess Division level....ROU communication to the Field.... and most

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importantly implementation at store level, can pay off in terms of added RJR volume and share of market.

Thanks for a job well done, and keep up the good work!

Best Regards

Nick Kuruc

cc: M. A. Young
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